

April 2, 2004

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

RE: **Notice of Ex Parte Communication**

WC Docket Nos. 02-33, 02-52, 01-337, 01-338, 03-266, 04-36

Dear Ms. Dortch:

On March 31, 2004, Steve Gray, James Thompson and Bill Courter met with Commissioner Martin and Senior Legal Advisor Dan Gonzalez regarding issues in the above-referenced docket concerning the possible impact on the facilities-based CLEC industry. We are also filing the attached document that was discussed and left behind during this meeting.

Very truly yours,

William H. Courter
Assistant General Counsel

Cc: Commissioner Martin
Dan Gonzalez



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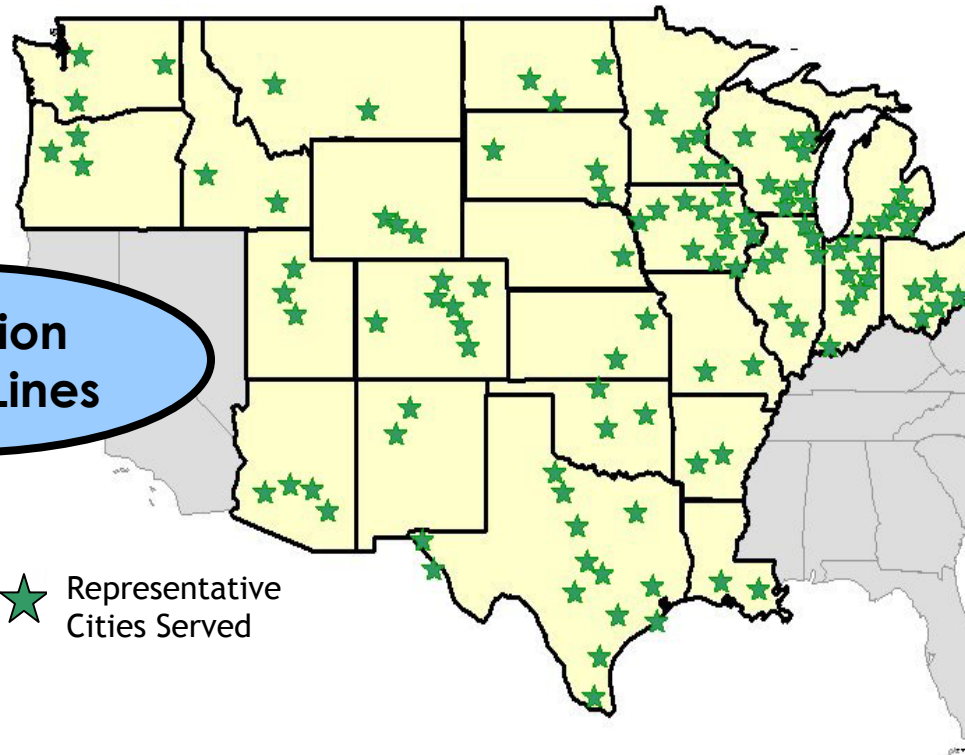
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- **Forstmann Little & Co. today owns 58% of McLeodUSA**
- **Focused strategy on integrated communication services in a 25-state footprint covering Midwest, Southwest, Northwest and Rocky Mountains**
- **New, experienced management team has executed strategic initiatives that have substantially improved the operation of the business**
- **One of the nation's largest, independent competitive telecommunications services providers**
 - **Approximately 1 million business and residential access lines in service**
 - **65% UNE-L; 35% UNE-P/Resale**
 - **Approximately 395,000 customers at 4Q03**
 - **Approximately \$870 million of Telco revenue in 2003**
 - **Positive Telco EBITDA since 2Q02**

McLeodUSA's 25 State Footprint



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- 38 ATM Switches
- 44 Voice Switches

- 1,003 Collocations
- 435 DSLAMs


- **Customer oriented thinking**
- **Simplified products... to sell, deliver, bill and service... packaged to provide value-added customer solutions**
- **Low cost, highly reliable, facilities-based network**
- **Streamlined business processes and the “right” systems infrastructure... scalable for growth**
- **Trained, committed workforce... high quality performance**
- **Teamwork, integrity and accountability in all we do**
- **Focus on profitable revenue growth & positive cash flow**

2003 Operating Highlights



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Significantly Improved Operational and Financial Performance


	<u>2002</u>	<u>2003</u>
• Customer satisfaction	85%	92%
• Billing ticket accuracy	99.3%	99.7%
• Network reliability	99.994%	99.999%
• Business line churn	2.5%	1.8%
• Total line churn	2.6%	2.1%
• Lines on network (UNE-L)	52%	65%
•  QUALITY certifications	0	3,100
• Revenue	\$992MM	\$869MM
• Gross margin %	37.4%	42.6%
• Cost savings	\$ 75MM	\$114MM
• Total SG&A	\$350MM	\$312MM
• Adjusted EBITDA	\$ 21MM	\$58MM

All key operational goals met... well positioned for future success

2004 Goals



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- Continued network quality and reliability
- Maintain customer satisfaction rating >90%
- Continued “first bill” review and accuracy > 99.7%
- Reduce customer churn
- Complete 2004  **QUALITY** training and certification program
- Launch new products: IAD phase 3 (VoIP) and managed services

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- Complete set of product offerings... Voice, Data and Internet
- Outstanding, experienced management team with proven track record
- Highly trained and committed workforce
- Outstanding operational performance...service delivery, billing and customer care
- Excellent reputation for high quality service
- Commitment to excellent, long-term customer relationships

**Cost effective solutions for all communications needs
with great service and no “surprises”**

Multiple proceedings on CLEC access to “Bottleneck” facilities



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- **271 Forbearance**
 - 271 approvals just completed
 - Basic premise . . . RBOC obligations continue
 - Independent obligation exists
- **VoIP**
 - Last-mile facilities cannot be replicated
 - Need Title II access to IP-enabled loop and transport facilities
 - Maintain existing ability to use collocations for VoIP
- **Fiber-to-the-Home**
 - Home means home -- not curb
 - Slippery slope
 - RBOCs have not curtailed investment
- **Broadband NPRM**
 - Residential only; Retail
 - Not wholesale or underlying facilities

**The individual impact, much less cumulative,
could end Intramodal competition**

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- **Loops** Continued unbundled access and full use at TELRIC
- **EELS** Continued unbundled access and full use at TELRIC
- **Transport** Continued unbundled access and full use at TELRIC
- **Switchport** 1 – 2 year transition @ TELRIC pricing in competitive markets
- **Pricing** UNEs at TELRIC
 “Just and Reasonable” for non-UNEs
 – strict and expedited enforcement
 All pricing subject to imputation

 NRCs continue to be a barrier to facilities-based competition



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